

February 2000



North Dakota REV-E-NEWS

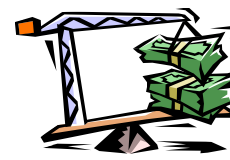
**From Rod Backman, Director
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As a result of a shortfall in sales tax collections in January and large refund requests from corporate income tax, biennium-to-date collections are below forecast by \$2.3 million. Although the \$2.3 million represents only one-half of one percent of the biennium-to-date forecast we are still cautious and watchful of this shortfall. We are certainly not ready to call this a trend and have reason to believe that both sales tax and corporate income tax will turn around.

According to RFA the national economy grew at an annualized rate of nearly 5 percent during the second half of 1999 and shows few signs of slowing so far in 2000. RFA believes there is a strong likelihood of more monetary tightening in coming months, but believes it will be done

slowly. Despite the strong economy and very tight labor markets, inflation and inflation expectations remain low.

North Dakota's growth is constrained by its tight labor market as well as the extended, suppressed farm economy. RFA estimates North Dakota total employment will grow by 0.4 percent in 2000 and 0.8 percent in 2001.



Once again, it is time to start thinking about the next budget. The Governor's budget guide-

lines for the 2001-03 biennium will be released on March 7, 2000, at 10:30 a.m. in the House Chambers. You can listen to the Governor's comments on the Internet at: www.health.state.nd.us/gov/budgetaddress2000

Oil Activity

North Dakota currently has eight rigs operating compared to zero one year ago. The average rig count in calendar year 1999 was five rigs compared to 11 rigs in 1998 and 19 rigs in 1997.

Oil production in December averaged 89,759 barrels per day. Average

oil production for calendar year 1999 was 90,072 barrels per day compared with 97,416 barrels per day in 1998 and 98,143 barrels per day in 1997.

The current price of oil is in the range of \$25 per barrel.



Comments or Questions???

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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
1999-01 BIENNIUM
JANUARY, 2000

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	Legislative Forecast	Actual	Variance	Percent	Legislative Forecast	Actual	Variance	Percent
Sales Tax	\$ 31,373,100.00	\$ 25,543,321.64	(5,829,778.36)	-18.6%	\$ 183,794,300.00	\$ 178,322,303.23	(5,471,996.77)	-3.0%
Motor Vehicle Excise Tax	4,440,100.00	3,595,771.26	(844,328.74)	-19.0%	31,261,100.00	30,974,741.90	(286,358.10)	-0.9%
Individual Income Tax	25,237,000.00	27,247,197.79	2,010,197.79	8.0%	96,135,000.00	101,822,532.84	5,687,532.84	5.9%
Corporate Income Tax	4,777,000.00	2,156,976.23	(2,620,023.77)	-54.8%	24,984,000.00	16,296,382.15	(8,687,617.85)	-34.8%
Insurance Premium Tax	9,000.00	4,659.20	(4,340.80)	-48.2%	6,560,000.00	6,544,346.30	(15,653.70)	-0.2%
Financial Institutions Tax	23,000.00	(592,885.00)	(615,885.00)	-2677.8%	173,000.00	(601,812.00)	(774,812.00)	-447.9%
Oil & Gas Production Tax	891,000.00	1,770,159.22	879,159.22	98.7%	6,240,000.00	9,096,078.27	2,856,078.27	45.8%
Gaming Tax	1,012,000.00	1,397,656.79	385,656.79	38.1%	6,743,000.00	7,389,425.96	646,425.96	9.6%
Interest Income	471,000.00	405,141.28	(65,858.72)	-14.0%	3,001,000.00	3,447,232.26	446,232.26	14.9%
Oil Extraction Tax	541,000.00	907,810.95	366,810.95	67.8%	3,796,000.00	6,419,165.91	2,623,165.91	69.1%
Cigarette and Tobacco Tax	1,669,000.00	1,708,573.20	39,573.20	2.4%	12,990,000.00	13,107,205.44	117,205.44	0.9%
Departmental Collections	2,990,000.00	3,998,587.69	1,008,587.69	33.7%	11,140,000.00	11,250,075.51	110,075.51	1.0%
Wholesale Liquor Tax	424,694.00	447,975.61	23,281.61	5.5%	2,704,286.00	2,742,712.93	38,426.93	1.4%
Coal Severance Tax	964,000.00	995,459.23	31,459.23	3.3%	6,631,000.00	6,664,790.87	33,790.87	0.5%
Coal Conversion Tax	1,051,000.00	1,082,748.98	31,748.98	3.0%	7,167,000.00	7,083,048.58	(83,951.42)	-1.2%
Mineral Leasing Fees	199,760.00	286,601.70	86,841.70	43.5%	1,519,760.00	1,829,901.27	310,141.27	20.4%
Bank of North Dakota - Transfer					15,000,000.00	15,000,000.00	0.00	0.0%
State Mill and Elevator - Transfer								
Gas Tax Admin. - Transfer	172,576.00	172,576.00	0.00	0.0%	517,728.00	517,728.00	0.00	0.0%
Other Transfers					1,700,000.00	1,850,618.83	150,618.83	8.9%
Total Revenues and Transfers	76,245,230.00	71,128,331.77	(5,116,898.23)	-7.2%	422,057,174.00	419,756,478.25	(2,300,695.75)	-0.5%

COMPARISON TO PREVIOUS BIENNIUM REVENUES
1999-01 BIENNIUM
JANUARY, 2000

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	January, 1998	January, 2000	Variance	Percent	1999	2001	Variance	Percent
Sales Tax	\$ 26,313,043.35	\$ 25,543,321.64	\$ (769,721.71)	-2.9%	\$ 165,314,569.89	\$ 178,322,303.23	\$ 13,007,733.34	7.9%
Motor Vehicle Excise Tax	3,908,781.72	3,595,771.26	(313,010.46)	-8.0%	29,116,667.54	30,974,741.90	1,858,074.36	6.4%
Individual Income Tax	25,451,600.00	27,247,197.79	1,795,597.79	7.1%	92,938,954.97	101,822,532.84	8,883,577.87	9.6%
Corporate Income Tax	7,260,124.72	2,156,976.23	(5,103,148.49)	-70.3%	30,607,182.37	16,296,382.15	(14,310,800.22)	-46.8%
Insurance Premium Tax	9,053.45	4,659.20	(4,394.25)	-48.5%	5,902,209.74	6,544,346.30	642,136.56	10.9%
Financial Institutions Tax	10,033.00	(592,885.00)	(602,918.00)	-6009.3%	228,352.89	(601,812.00)	(830,164.89)	-363.5%
Oil & Gas Production Tax	1,590,247.66	1,770,159.22	179,911.56	11.3%	9,786,013.31	9,096,078.27	(689,935.04)	-7.1%
Gaming Tax	1,012,459.05	1,397,656.79	385,197.74	38.0%	6,742,607.53	7,389,425.96	646,818.43	9.6%
Interest Income	480,380.40	405,141.28	(75,239.12)	-15.7%	4,888,137.63	3,447,232.26	(1,440,905.37)	-29.5%
Oil Extraction Tax	810,257.37	907,810.95	97,553.58	12.0%	6,600,113.67	6,419,165.91	(180,947.76)	-2.7%
Cigarette and Tobacco Tax	1,816,938.19	1,708,573.20	(108,364.99)	-6.0%	13,706,190.87	13,107,205.44	(598,985.43)	-4.4%
Departmental Collections	2,984,875.46	3,998,587.69	1,013,712.23	34.0%	11,133,040.83	11,250,075.51	117,034.68	1.1%
Wholesale Liquor Tax	431,287.34	447,975.61	16,688.27	3.9%	3,234,366.66	2,742,712.93	(491,653.73)	-15.2%
Coal Severance Tax	1,114,868.98	995,459.23	(119,409.75)	-10.7%	6,507,085.36	6,664,790.87	157,705.51	2.4%
Coal Conversion Tax	1,080,614.29	1,082,748.98	2,134.69	0.2%	6,890,344.83	7,083,048.58	192,703.75	2.8%
Mineral Leasing Fees	350,760.97	286,601.70	(64,159.27)	-18.3%	3,534,101.00	1,829,901.27	(1,704,199.73)	-48.2%
Bank of North Dakota - Transfer			0.00	100.0%		15,000,000.00	15,000,000.00	100.0%
State Mill and Elevator - Transfer								
Gas Tax Admin. - Transfer	141,109.00	172,576.00			423,327.00	517,728.00	94,401.00	22.3%
Other Transfers	(49,409.46)		49,409.46	-100.0%	9,930,126.93	1,850,618.83	(8,079,508.10)	-81.4%
TOTAL REVENUES AND TRANSFERS	\$ 74,717,025.49	\$ 71,128,331.77	\$ (3,620,160.72)	-4.8%	\$ 407,483,393.02	\$ 419,756,478.25	\$ 12,273,085.23	3.0%

Revenue Variances

Sales tax collections fell \$5.8 million or 18.6 percent below projections. January collections reflect December Christmas sales. Although the North Dakota retailers have reported very good Christmas sales, this shortfall is a concern and we are watching the situation closely. Collections in February are ahead of those of one year ago which is another indication that timing or delayed processing may be part of the factor. Biennium-to-date collections are now \$5.5 million or 3.0 percent below forecast.

Motor vehicle excise tax collections fell behind projections by \$844,329 or 19.0 percent. Biennium-to-date collections are now \$286,358 or 0.9 percent below forecast.

On a positive note, individual income tax collections exceeded projections by \$2 million or 8.0 percent. Indications are that February collections will also be strong. Biennium-to-date collections are now \$5.7 million or 5.9 percent ahead of forecast.

Corporate income tax collections fell behind

forecast by \$2.6 million or 54.8 percent in January. Large corporate refunds continue to be the reason for this shortfall and we continue to expect this shortfall to turnaround because, nationally, corporate profits are reported to be quite good. Biennium-to-date collections are now \$8.7 million or 34.8 percent below forecast.

Financial Institutions tax collections show negative collections for the month of January of \$592,885 and negative biennium-to-date collections of \$601,812. This is primarily the result of refund requests for taxes paid in the previous year.

Oil and gas production tax collections exceeded monthly projections by \$879,159 or 98.7 percent, while oil extraction tax collections exceeded projections by \$366,811 or 67.8 percent. Biennium-to-date collections for both taxes combined exceed projections by \$5.5 million



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